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Key figures in millions of CHF

| | Results reported in the interim financial statements | | | Results reported on an adjusted basis ^{a)} | | |
|--|--|--------|----------|---|--------|----------|
| | 2001 | 2000 | % change | 2001 | 2000 | % change |
| Sales | 14,469 | 14,808 | -2 | 14,469 | 13,679 | +6 |
| EBITDA ^{b)} | 3,399 | 7,843 | -57 | 3,864 | 3,749 | +3 |
| Operating profit | 1,725 | 5,242 | -67 | 2,394 | 2,377 | +1 |
| Net income | 2,517 | 6,203 | -59 | 2,988 | 2,978 | 0 |
| Research and development | 1,955 | 1,931 | +1 | 1,955 | 1,900 | +3 |
| Additions to property, plant and equipment | 769 | 936 | -18 | 769 | 868 | -11 |

Personnel

| | | | | | | |
|--------------------------------|--------|--------|----|--------|--------|----|
| Number of employees at 30 June | 64,483 | 63,865 | +1 | 64,483 | 63,865 | +1 |
|--------------------------------|--------|--------|----|--------|--------|----|

Ratios

| | | | | | | |
|--|----|----|--|----|----|--|
| EBITDA as % of sales | 23 | 53 | | 27 | 27 | |
| Operating profit as % of sales | 12 | 35 | | 17 | 17 | |
| Net income as % of sales | 17 | 42 | | 21 | 22 | |
| Research and development as % of sales | 14 | 13 | | 14 | 14 | |

Data on shares and non-voting equity securities in CHF ^{c)}

| | | | | | | |
|---|------|------|--|------|------|--|
| Earnings per share and non-voting equity security (diluted) | 2.96 | 7.19 | | 3.52 | 3.52 | |
|---|------|------|--|------|------|--|

Sales by division in millions of CHF

| | First half 2001 | First half 2000 | % Change (CHF) | % Change (local currencies) ^{d)} |
|---|-----------------|-----------------|----------------|---|
| Results reported on an adjusted basis ^{a)} | | | | |
| Pharmaceuticals | 9,276 | 8,856 | +5 | +5 |
| Diagnostics | 3,374 | 2,969 | +14 | +15 |
| Vitamins and Fine Chemicals ^{e)} | 1,819 | 1,854 | -2 | -2 |
| Sales | 14,469 | 13,679 | +6 | +6 |

a) The adjusted figures are presented to enhance the comparability of current and future consolidated results. They exclude special items (in 2001 Pharmaceuticals Division restructuring costs; in 2000 impairment charge, gains from sales of Genentech shares and credit for changes in accounting policy) and include only the continuing businesses, i.e. excluding Fragrances and Flavours.

b) EBITDA: Earnings before interest and other financial income, tax, depreciation and amortisation, including impairment. This corresponds to operating profit before depreciation and amortisation, including impairment.

c) Number of shares and all per share information is restated for the 100:1 share split that took place on 4 May 2001; see Note 7 to the interim financial statements.

d) Effect of high-inflation currencies eliminated.

e) 2000 sales of the Vitamins and Fine Chemicals Division include sales of medicinal feed additives (MFA) products, up to the date of their disposal in May 2000. Excluding MFA, 2001 Vitamins and Fine Chemicals sales increased by 4% in both CHF and local currencies.

Group and Divisional Results

Overview

Good half-year results – Significantly improved second quarter.

In the first half of 2001 the Roche Group achieved consolidated sales of 14.5 billion Swiss francs. This represents a growth on an adjusted basis of 6% in both Swiss francs and local currencies. All three Divisions contributed to this good sales result. Local growth in the second quarter 2001 increased to 10% after a growth rate of 3% in the first quarter. EBITDA (earnings before interest and other financial income, tax, depreciation and amortisation including impairment) on an adjusted basis reached a record 3.9 billion Swiss francs, a rise of 3% over last year. Group operating profit and net income were stable at 2.4 billion Swiss francs and at 3.0 billion Swiss francs respectively. As expected the EBITDA margin and the operating profit margin decreased slightly.

The adjusted figures are presented to enhance the comparability of current and future results. A description of these adjustments is given on page 11.

In the Pharmaceuticals Division sales of well-established products, especially CellCept, and of new products, in particular in oncology, more than compensated for the loss of approximately 400 million Swiss francs of sales. These losses were due to the patent expiration of Versed/Dormicum in the United States and the delisting of Draganon in Japan which both occurred in mid-year 2000. Pharmaceuticals sales in local currency increased by 5%, mainly driven by a strong second quarter. Pharmaceuticals operating profit on an adjusted basis

grew by 2% to 1.8 billion Swiss francs. Higher sales as well as early cost savings from the 'Re-shaping for Future Growth' initiative more than compensated for generic competition, additional amortisation following the acquisition of Kytril and increased net other operating expenses. Operating profit grew at a slightly lower rate than EBITDA due to the inclusion of the Kytril amortisation. The EBITDA of the Pharmaceuticals Division increased by 4% to 2.7 billion Swiss francs on an adjusted basis, which is 29% of sales.

The Pharma 'Re-shaping for Future Growth' initiative is progressing as planned. The objectives are to restore growth and reduce the division's cost structure in order to improve the operating profit margin of Pharmaceuticals to 20–25% over the next 2–3 years. Restructuring costs of 669 million Swiss francs have been recognised in the interim financial statements, which comprise employee costs of 429 million Swiss francs, impairment charges related to the closure of certain operations of 204 million Swiss francs, and some other costs. The total restructuring costs are estimated at approximately 1 billion Swiss francs, of which approximately 40% are non-cash impairment charges. To enhance comparability the restructuring costs have been excluded from the adjusted results. The cost savings over the first 12 months of the initiative, i.e. between April 2001 and March 2002, are expected to be in the order of 300 million Swiss francs. The full effect of the measures, with annual cost savings of approximately 600 million Swiss francs, will be realised from 2003.

The sales development in the Diagnostics Division again significantly outperformed the market with an overall growth rate of 15% in local currencies. Being the market leader in diagnostics, all five business areas of the division – Applied Science, Molecular Diagnostics, Centralized Diagnostics, Near Patient Testing and Diabetes Care – grew faster than the market. Due to the strong sales growth the division again achieved a double-digit increase of the operating profit by 14% to 498 million Swiss francs. The EBITDA grew also at a double-digit rate to 930 million Swiss francs. The EBITDA margin was maintained at 28% and the operating profit margin at 15%. This excellent result was primarily achieved by strong sales growth, which more than offset cost increases, in particular for marketing and distribution, for investments in strategic alliances and higher net royalty expenses.

Sales in the Vitamins and Fine Chemicals Division grew by 4% on a comparable basis, i.e. without the medicinal feed additives (MFA) products sold in May 2000. Vitamins and Fine Chemicals operating profit and EBITDA both dropped by approximately 80 million Swiss francs to 228 and 332 million Swiss francs respectively. Approximately half of this decrease is due to the inclusion in the 2000 figures of the one-time gain on the sale of the MFA products and the other half is due to increased raw material and energy prices and somewhat lower selling prices. However, operating margins in the first half of 2001 are slightly higher than the margins in the second half of last year due to further productivity improvements.

Net financial income increased by 20% to 1.5 billion Swiss francs. This result includes an income on marketable securities and financial investments of 2.5 billion Swiss francs (including a pre-tax gain on the sale of LabCorp shares of 1.2 billion Swiss francs), interest expenses of 0.7 billion Swiss francs and unrealised foreign exchange losses of 0.2 billion Swiss francs. The Group's net liquidity increased to 7.0 billion Swiss francs mainly as a result of the cash flow from the Divisions (EBITDA) as well as financial income. The ratio of equity and minority interests to total assets rose to 48% at 30 June 2001 from 46% at the end of 2000.

The results as reported in the financial statements for the first half of 2001, i.e. without adjustments, show sales of 14.5 billion Swiss francs, EBITDA of 3.4 billion Swiss francs, operating profit of 1.7 billion Swiss francs, financial income of 1.5 billion Swiss francs and net income of 2.5 billion Swiss francs. As mentioned previously, these results include costs for the restructuring of the Pharmaceuticals Division of 669 million Swiss francs.

**Pharmaceuticals
Growth rates improved.**

| | CHF millions | % change | % of sales |
|------------------|--------------|----------|------------|
| Sales | 9,276 | +5 | |
| EBITDA | 2,715 | +4 | 29 |
| Operating profit | 1,783 | +2 | 19 |

On an adjusted basis the Pharmaceuticals Division (prescription drugs and Roche Consumer Health) posted further increases in sales, operating profit and EBITDA in the first half of 2001.

Prescription drug sales (i.e. without Roche Consumer Health) advanced by 6% in local currencies to stand at 8,442 million Swiss francs, due in particular to the strong second quarter. The majority of the division's top ten products once again posted healthy sales gains. Sales of five products exceeded half a billion Swiss francs each in the first half year. Growth was driven primarily by the new oncology products Mabthera/Rituxan, Herceptin, Xeloda and Kytril, which was acquired in late 2000, and by CellCept, a product used in transplantation medicine.

Our oncology portfolio delivered especially strong growth, with its sales volume already reaching 2 billion Swiss francs in the first half year. Excellent results in clinical trials and additional market introductions led to pronounced sales growth for Mabthera/Rituxan, the first monoclonal antibody for the treatment of non-Hodgkin's lymphoma (NHL). In May an application was filed in the European Union for approval of Mabthera in aggressive NHL, a form of cancer that is rapidly increasing worldwide. Sales of Herceptin, a drug offering targeted treatment of breast cancer in HER2-positive women, benefited especially from the rollout of the product across Western Europe and brisk sales in the United States. Mabthera and Herceptin were recently approved in Japan; Herceptin has already been launched there, and is expected to make an additional positive contribution to sales growth in the second half of the year. The anti-breast cancer drug Xeloda posted healthy sales in excess of 100 million Swiss francs, performing particularly well in Europe and North America. The

therapeutic indications for Xeloda have now been expanded by approval for use in metastatic colorectal cancer in the United States and Europe. Combined therapy with Xeloda and Taxotere in metastatic breast cancer has been shown to produce significantly superior survival compared with standard monotherapy. Approval in the United States is expected in the second half of 2001. Kytril, an anti-nausea drug used in patients receiving chemotherapy, was swiftly incorporated into our pharmaceuticals business. Sales were particularly strong in the United States, Japan and Western Europe.

Xenical sales were up for the first half of 2001, helped by new launches in Asia. In the United States sales of the product have stabilised after the downward trend seen last year, and there are now signs of a recovery. In line with our revised marketing strategy, which places more emphasis on patient support, most countries now have a comprehensive weight management programme in place, and the number of patients enrolling in these programmes is increasing. During the first half of the year applications for approval of Xenical in type 2 diabetes were submitted to the US, Canadian and EU authorities. In clinical studies obese type 2 diabetics receiving Xenical lost up to three times more weight than those on diet alone and thus had clinically significant improvements in blood sugar control. Regulatory decisions on the type 2 diabetes indication are expected in the first half of 2002.

Pegasys, Roche's latest-generation interferon, for the treatment of hepatitis C, has just been approved in

Switzerland and is about to be approved in a number of Latin American countries. In the United States Roche has provided the additional technical data requested by the Food and Drug Administration (FDA). A first meeting to discuss this data with the FDA will take place in autumn 2001, after which the FDA will reach a decision within six months. A marketing application was submitted to the European authorities in spring 2000. Clinical trials have shown Pegasys in combination with ribavirin to be substantially more effective than the current standard regimen for treating chronic hepatitis C. By licensing in the development and marketing rights to levovirin, the second generation of ribavirin, Roche has added another promising adjunctive agent for hepatitis C to its clinical development programme. Tamiflu was successfully launched in Japan early this year. The European regulatory authorities are currently reviewing Tamiflu for the treatment and prevention of influenza A and B in adults, adolescents and children. Sales for our HIV portfolio were affected by changing treatment strategies in the developed world and severe price pressures in major Latin American markets. The European Union's Committee for Proprietary Medicinal Products (CPMP) has recommended approval of a new formulation of Viracept (twice daily dosing). This not only simplifies treatment for patients with AIDS but also makes it easier to adhere to. Cymevene/Valcyte, for cytomegalovirus retinitis in AIDS patients, showed good sales growth, especially since the US launch of Valcyte, an oral pro-drug formulation of the product.

Sales of CellCept, a drug used to prevent organ (kidney, heart, liver) rejection in transplantation medicine, once again grew strongly in all markets, advancing 34%. Growth was helped by new efficacy and safety data from long-term clinical trials. In Europe a pediatric formulation of CellCept received approval for use in kidney transplantation. Combined use of CellCept and Zenapax is increasingly seen as a milestone in the immunosuppressive treatment of kidney transplant recipients.

The positive sales growth for our leading antibiotic, Rocephin, was driven primarily by the United States; overall sales growth was negatively affected by the mild flu season, however. The FDA has granted Roaccutan/Accutane an extension of marketing exclusivity in the United States until February 2002. Sales in North America came under pressure in the first half year as a result of tighter prescribing requirements. The positive sales growth of NeoRecormon was helped considerably by its approval in the European Union for patients with anemia associated with hematological malignancies. Approval of a once weekly dosing schedule in renal anemia is expected in Europe in the second half of 2001, following a recent CPMP recommendation. Sales of Dilatrend, which is far more effective than conventional beta-blockers, rose 21% to 140 million Swiss francs. This strong growth was partly due to good results from two landmark large-scale trials. The data showed that the drug provides significant survival benefits for both heart failure and post-heart attack patients. Additional applications for approval in severe heart failure are still pending in many countries.

Top-selling products

The majority of the division's top ten prescription products once again posted healthy sales gains. Sales of five products exceeded half a billion Swiss francs each in the first six months.

| Product | Sales first half 2001 ¹⁾ | |
|----------------------|-------------------------------------|-----------------------------|
| | in millions of CHF | % change (local currencies) |
| Rocephin | 900 | 6 |
| Mabthera/Rituxan | 740 | 97 |
| Roaccutan/Accutane | 610 | -12 |
| Xenical | 520 | 4 |
| CellCept | 510 | 34 |
| Herceptin | 360 | 43 |
| NeoRecormon | 350 | 16 |
| Kytril ²⁾ | 250 | - |
| Viracept | 220 | 5 |
| Nutropin/Protropin | 210 | 13 |

1) Including Genentech

2) Acquired in late 2000

Indications: see Annual Report 2000

Sales by Roche Consumer Health, our non-prescription medicines business, rose to 834 million Swiss francs. Expressed in local currencies, this represents a growth rate of 2%. While sales in the first quarter were slow, up only 1%, they gained momentum in the second quarter, advancing 4%, thus continuing the positive trend that began last year, especially in Latin and North America. European sales, which in the first quarter were lower than expected in some key markets due to the mild winter and the elimination of the resale price maintenance system in the United Kingdom, recovered in the second quarter. Sales of all core brands except Redoxon (vitamin C product) were up from last year, led by the analgesic Aleve, which showed a 19% increase in sales.

Diagnostics

Double-digit growth continues.

| | CHF millions | % change | % of sales |
|------------------|--------------|----------|------------|
| Sales | 3,374 | +14 | |
| EBITDA | 930 | +12 | 28 |
| Operating profit | 498 | +14 | 15 |

With a renewed double-digit increase in sales the Diagnostics Division sustained the impressive growth trend of recent years. Operating profit and EBITDA also increased substantially again.

The division further strengthened its position as the global market leader. In North America it increased sales by just under 13% in local currencies, consolidating its lead in the world's largest diagnostics market. In Europe sales were up by a robust 17% (in local currencies). In the division's other regions – Latin America, Asia-Pacific and Japan – sales also increased substantially ahead of the market, advancing at double-digit rates as high as 39%.

The fact that all business areas contributed to this positive overall result is indicative of Roche Diagnostics' exceptionally broad range of strengths.

Sales by the Applied Science business area, which makes reagents and systems for research and industry, were up 12% in local currencies from the previous-year period. Growth was driven particularly by innovative system technologies for the pioneering fields of genomic and proteomic research. Initial sales of the BSE test marketed by Roche since February of this year also made a significant contribution to this strong performance.

Molecular Diagnostics, the market leader in its field, recorded a healthy 19% sales increase in local currencies. The AmpliPrep system, which automatically prepares specimens for PCR-based genetic analyses, was launched in a number of European countries in May. Also in May, Roche and Chiron signed a licensing agreement giving Roche Diagnostics the right to sell its HIV-1 and hepatitis C tests for screening donated blood. Agreements are already in place to supply the tests nationwide in France and Japan. In early July the division received US regulatory clearance to market the first qualitative PCR-based tests for the detection of hepatitis C.

Centralized Diagnostics substantially improved its position in a moderately expanding market, as sales advanced 8% in local currencies. The Integra line of clinical chemistry systems and the Elecsys analysers for immunology laboratories posted sales increases of 20% and 30% respectively.

Sales by the Near Patient Testing business area were up 36% in local currencies, reaffirming its leading position in the global hospital point of care business. This sharp gain was due partly to the acquisition of AVL Medical Instruments, whose sales were not yet included in last year's half-year results. Sales in the coagulation monitoring segment showed very healthy growth. The unit's DataCare hospital data networking software was successfully launched in the United States; a European version is due to reach the market soon.

Diabetes Care gained additional market share, helped by a 19% sales

increase in local currencies. The unit's Accu-Chek product family has the highest sales volume of any Roche brand. The market responses to two newly launched blood glucose meters – Accu-Chek Active, which provides extremely fast test results, and the exceptionally user-friendly Accu-Chek Compact – were very positive.

Vitamins and Fine Chemicals Market leadership extended.

| | CHF millions | % change | % of sales |
|------------------|--------------|----------|------------|
| Sales | 1,819 | -2 | |
| EBITDA | 332 | -21 | 18 |
| Operating profit | 228 | -25 | 13 |

Excluding sales of the medicinal feed additives products, which were divested in May 2000, sales by the Vitamins and Fine Chemicals Division grew by 4%. Operating profit and EBITDA were down as a result of the one-time gain on this sale, increased raw material and energy prices and slightly lower selling prices. The division's operating profit margin and EBITDA margin were both up slightly from the second half of 2000.

Helped by continued strong volume gains, the division reinforced its leading market position. Growth was largely fuelled by robust sales of astaxanthin, citric acid, vitamin B₆ and a variety of new products, including lutein, formulations of natural-source vitamin E and our developing range of enzymes for the animal feed industry.

The division posted double-digit sales growth in North America, despite a difficult economic climate. In Latin America sales also rose markedly, driven by strong demand for caro-

tenoids in the fish farming industry. Business in the Asia–Pacific region was affected by a substantially weaker yen. European sales held steady at previous-year levels, even though demand in the important animal nutrition segment was slowed by outbreaks of foot and mouth disease.

The division continued to pursue its strategy of systematically strengthening its market presence. Among the highlights were the acquisition of the Hy.D product line from Monsanto, which augments the division's portfolio of feed supplements, and the opening of a specialised vitamin premix plant in Deinze (Belgium) to serve the growing pet food market. New products such as zeaxanthin, which helps to protect healthy vision, and a vitamin E formulation that produces a clear, colourless dispersion in water were launched for use in the food and pharmaceutical industries. New entries in the cosmetics segment included Stay-C 50, a stable vitamin C formulation for cosmetic products, and Parsol SLX, a novel UVB sunscreen.

Projects to expand the division's production base are moving ahead on schedule. Capacity utilisation is already good at the new citric acid plant opened in China in April; the plant has an annual production capacity of over 40,000 tonnes. Even though our new biotin plant in Grenzach is operating very successfully, strong global demand for this product continues to outstrip supply.

Group operating results

Increased EBITDA. Operating profit maintained. Gross profit increased by

635 million Swiss francs to 10.2 billion Swiss francs, on an adjusted basis. The gross profit margin remained stable at 70%. Sales growth in the high margin Diagnostics areas was particularly strong and this, together with productivity improvements in all divisions, compensated for the continuing pressure on selling prices, start-up costs for new vitamin production plants, and for higher raw material and energy prices. Marketing and distribution expenses increased by 2% to support the key growth drivers and new product launches in Pharmaceuticals and in Diagnostics. Marketing and distribution costs as a % of sales fell by one percentage point compared to the previous year as a first result of the Pharma 'Re-shaping for Future Growth' initiative. The high level of investment in research and development was increased further by 3% to 2.0 billion Swiss francs to support the strong R&D pipeline and new strategic alliances in Pharmaceuticals and Diagnostics. Administration costs grew less than sales. Amortisation expenses increased by 7% due to the additional amortisation following the acquisition of Kytril in December 2000. Roche's amortisation charge, currently more than 5% of sales, continues to be significantly higher than the industry average. This is primarily due to the goodwill arising from growth through acquisitions and by the requirements of International Accounting Standards. Net other operating income/expense showed a swing of approximately 400 million Swiss francs from an income in the first half of 2000 to an expense in the first half of 2001. The major factors in 2001 were increased net royalty expenses,

in particular in Diagnostics, and exchange losses on receivables due to the devaluation of the Turkish lira. In addition the 2000 figures include non-recurring income, such as the gain on the sale of the medicinal feed additives products.

Operating profit as reported in the financial statements is 669 million Swiss francs lower than on an adjusted basis. The difference is due to the Pharma 'Re-shaping for Future Growth' initiative restructuring costs, which are excluded from the adjusted results. For EBITDA the adjustment is 204 million Swiss francs lower than for the operating profit due to the impairment charges.

Financial Income

Increased financial result due to gain on LabCorp shares. The Group achieved a 20% increase in total financial income (expense), net to 1.5 billion Swiss francs. This result is primarily driven by net gains on sale of marketable securities of 2.5 billion Swiss francs, including shares of LabCorp. In June 2001 Roche reduced its holding in LabCorp to 15% realising a pre-tax profit of 1,160 million Swiss francs. The other major components of the result are interest expenses (including amortisation of debt discount) of 0.7 billion Swiss francs and unrealised foreign exchange losses of 0.2 billion Swiss francs. The Group's average net liquidity during the period amounted to 6.8 billion Swiss francs.

Cash flows

Continued cash generation leads to higher net liquidity. Once again the Group generated healthy cash flows

both from operating and non-operating activities. Consequently net liquidity increased, and now stands at 7.0 billion Swiss francs in total.

Operating cash flows before income taxes increased by 7% to 2.8 billion Swiss francs. This was driven by the strong underlying cash generation of the divisions (as shown by the 3% increase in adjusted EBITDA) and the final payments in 2000 in respect of the Genentech legal settlements. Income taxes paid returned to the previous level, as the 2000 figure includes tax paid on the gain on the sale of Genentech shares. However the income taxes on the LabCorp gain are due in the second half of the year and therefore are not included in the 2001 interim cash flows. Financing activities showed a net cash outflow of 2.3 billion Swiss francs. The major items during the interim period were the 1.7 billion Swiss franc repayment of the 'Bull-spread' bonds at maturity and the payment of the shareholders' dividend of 1 billion Swiss francs. Investing activities includes the 1.4 billion Swiss francs proceeds from the sale of LabCorp shares, with the balance showing the net cash generated being reinvested into the Group's investment portfolio.

The Group has revised its definition of net liquidity following recent changes in accounting policies. Net liquidity includes the market values of cash, marketable securities, available for sale investments, derivatives, and own equity instruments less long and short term debt. During the interim period net liquidity increased to 7.0 billion Swiss francs from 6.5 billion Swiss francs at 1 January 2001.

The 1.7 billion Swiss francs proceeds from the 'LYONs V' offering in July will further strengthen the Group's cash position.

Financial condition

Further strengthening of the balance sheet. The Group's balance sheet showed further improvements during the interim period. Cash and marketable securities have increased to 23.3 billion Swiss francs driven by the operating cash flows and the proceeds of the LabCorp sales. Total debt has decreased following the repayment of the 'Bull-spread' bonds. The 'Samurai' bonds, with a current book value of 1.4 billion Swiss francs are due in May 2002, and consequently are now shown as short-term debt. The increase in other long-term assets, other non-current liabilities and minority interests are mainly caused by the changes in accounting policy for financial instruments (see Note 1 to the interim financial statements). The increase in the value of the US dollar relative to the Swiss franc causes a small increase in most balance sheet headings, most noticeably for intangible assets, total debt and minority interests.

The ratio of equity and minority interests to total assets increased to 48% from 46% at the end of 2000.

Following recent changes in International Accounting Standards an increasing amount of the consolidated balance sheet is recorded at fair value and in local currencies. The combination of market conditions and this new accounting treatment can be expected to cause increased volatility in balance sheet values; although in the first half

of 2001 the impact on net assets of movements in fair values and currency translation gains and losses was relatively minor.

Outlook

All divisions on growth track. Sales in the Pharmaceuticals Division gained momentum in the second quarter, and we anticipate good single-digit growth for the full year, fuelled both by established and by new products. A number of carefully targeted actions are currently being implemented to improve growth and profitability. In particular, Roche expects to see strong growth stimulated by the many products launched over the last five years. Moreover, the promising new drugs coming through the pipeline, such as Pegasys for hepatitis C, T-20 for HIV, Tarceva for certain types of cancer and Bonviva for osteoporosis, are making good progress. The HIV fusion inhibitor T-20 has produced very positive clinical results. Tarceva, which was licensed in from OSI, has just entered phase III. Pegasys represents a major market opportunity for Roche in virology, particularly in combination with ribavirin. Combined therapy with Pegasys and levovirin is already in early clinical development and promises to set new standards of care in hepatitis C. In addition to these products, we also have a broad, attractive portfolio in our research and development pipeline. The Pharmaceuticals Division has thus equipped itself well for internally generated growth, which it intends to augment with product acquisitions, licensing agreements and strategic alliances. We expect that the Pharmaceuticals Division will further improve its growth rate and raise its

operating profit margin to 20–25% over the next two to three years.

For the full year, the Diagnostics Division expects to maintain double-digit growth and to continue advancing ahead of the market. Additional growth is expected to come particularly from the newly launched Accu-Chek Compact and E-170. Other products scheduled for launch in the coming months, such as the Omni S and Omni C blood gas analysers for hospitals, and the increasingly strong position of recent product entries on world markets form a promising basis for future success. The division is aiming in the medium term for an operating profit margin of slightly better than 20%. In line with our long-term strategy to develop the division into a supplier of clinically actionable health information, a number of major alliances were concluded during the first half of 2001 with companies such as deCode, Millennium, Innogenetics and CombiMatrix. Among other things, these alliances will focus on developing innovative, specific tests that not only supply test results but also include background information on relevant genetic factors and options for optimising therapy as part of a single product package – in other words, tests offering significant health economic benefits. This takes our integrated healthcare solutions strategy a step further.

Excluding the medicinal feed additives divested last year, the Vitamins and Fine Chemicals Division expects sales growth for the full year to be in the single-digit range. The cost reductions that have resulted from organisational changes in the US and European mar-

ket regions and from the successful start-up of a cost-efficient production facility for vitamin B₂ in Grenzach will continue to have a positive impact on the division's earnings position. The division should be able to maintain its profit margins even in today's competitive marketplace.

Barring unforeseen events, Roche expects its full year operating result for 2001 to be similar to that in 2000. The result for 2000 was strongly influenced by the sizeable one-time gain on the sale of the North American rights to Coreg. The 2001 financial result will depend considerably on future developments in financial markets, which, given the current market volatility, are difficult to predict. At the Group level, Roche is looking to raise its operating profit margin substantially, to over 20%, in the medium term. The organisational renewal currently under way in all three divisions has set the stage for future sales and operating profit growth.

Consolidated Income Statement on an Adjusted Basis

Consolidated income statement on an adjusted basis in millions of CHF

| | Six months ended 30 June | | % Change |
|---|--------------------------|---------|----------|
| | 2001 | 2000 | |
| Sales | 14,469 | 13,679 | +6 |
| Cost of sales | (4,274) | (4,119) | +4 |
| Gross profit | 10,195 | 9,560 | +7 |
| Marketing and distribution | (4,132) | (4,044) | +2 |
| Research and development | (1,955) | (1,900) | +3 |
| Administration | (606) | (576) | +5 |
| Amortisation of intangible assets | (779) | (725) | +7 |
| Impairment of long-term assets | - | - | - |
| Other operating income (expense), net | (329) | 62 | - |
| Operating profit | 2,394 | 2,377 | +1 |
| Financial income (expense), net | 1,472 | 1,229 | +20 |
| Profit before taxes | 3,866 | 3,606 | +7 |
| Income taxes | (890) | (660) | +35 |
| Profit after taxes | 2,976 | 2,946 | +1 |
| Income applicable to minority interests | (24) | 29 | - |
| Share of result of associated companies | 36 | 3 | - |
| Net income | 2,988 | 2,978 | 0 |
| Diluted net earnings per share and non-voting equity security ^{in CHF} | 3.52 | 3.52 | |

Adjusted results: The consolidated results for 2001 and 2000 are significantly influenced by various special items and also by changes in International Accounting Standards. To enhance the comparability of current and future consolidated results adjusted figures are calculated for both years. They are used in the internal management of the business and are helpful when reviewing the trends in the Group's results.

- The adjusted results are shown on a continuing basis. The results of the Fragrances and Flavours Division are excluded as if the Givaudan spin-off had already taken place on 1 January 2000. Sales by the Vitamins and Fine Chemicals Division to the Fragrances and Flavours Division are reclassified as sales to third parties.
- The 2001 adjusted results exclude the costs of the Pharmaceuticals Division restructuring.
- The 2000 adjusted results exclude the gain from sales of Genentech shares, impairment charge and the credit from changes in accounting policies.
- The adjusted figures exclude the charges recorded in 2000 relating to the fair-value adjustments of inventories associated with the Genentech acquisition.
- The above adjustments have also led to corresponding modifications to income taxes and to income applicable to minority interests.

Number of shares and all per share information is restated for the 100:1 share split that took place on 4 May 2001; see Note 7 to the interim financial statements. The 2000 adjusted earnings per share figure is restated to take into account the presentational changes made in the 2000 annual financial statements; see Note 1 to the 2000 annual financial statements.

Information by division on an adjusted basis in millions of CHF

| | Pharma- ceuticals | Diagnostics | Vitamins and Fine Chemicals | Other | Total |
|--------------------------------------|----------------------|-------------|-----------------------------------|-------|--------|
| Six months ended 30 June 2001 | | | | | |
| Divisional sales to third parties | 9,276 | 3,374 | 1,819 | - | 14,469 |
| EBITDA | 2,715 | 930 | 332 | (113) | 3,864 |
| - as % of sales | 29 | 28 | 18 | - | 27 |
| Operating profit | 1,783 | 498 | 228 | (115) | 2,394 |
| - as % of sales | 19 | 15 | 13 | - | 17 |
| Six months ended 30 June 2000 | | | | | |
| Divisional sales to third parties | 8,856 | 2,969 | 1,854 | - | 13,679 |
| EBITDA | 2,614 | 831 | 419 | (115) | 3,749 |
| - as % of sales | 30 | 28 | 23 | - | 27 |
| Operating profit | 1,750 | 438 | 305 | (116) | 2,377 |
| - as % of sales | 20 | 15 | 16 | - | 17 |

Interim Condensed Consolidated Financial Statements

Reference numbers indicate corresponding Notes to the Interim Condensed Consolidated Financial Statements

Consolidated income statement in millions of CHF

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2001 | 2000 |
| Sales | 14,469 | 14,808 |
| Cost of sales | (4,274) | (4,803) |
| Gross profit | 10,195 | 10,005 |
| Marketing and distribution | (4,132) | (4,284) |
| Research and development | (1,955) | (1,931) |
| Administration | (606) | (617) |
| Amortisation of intangible assets | (779) | (760) |
| Impairment of long-term assets | - | (1,161) |
| Pharmaceuticals Division restructuring ⁵ | | |
| - impairment of long-term assets | (204) | - |
| - other restructuring costs | (465) | - |
| Other operating income (expense), net | (329) | 41 |
| Gain from sales of Genentech shares | - | 3,949 |
| Operating profit | 1,725 | 5,242 |
| Financial income (expense), net | 1,472 | 1,183 |
| Result before taxes | 3,197 | 6,425 |
| Income taxes | (692) | (1,682) |
| Result after taxes | 2,505 | 4,743 |
| Changes in accounting policies ¹ | - | 1,413 |
| Income applicable to minority interests | (24) | 44 |
| Share of result of associated companies | 36 | 3 |
| Net income | 2,517 | 6,203 |
| Basic earnings per share and non-voting equity security <small>in CHF</small> | 2.99 | 7.41 |
| Diluted earnings per share and non-voting equity security <small>in CHF</small> | 2.96 | 7.19 |

- The Interim Condensed Consolidated Financial Statements are unaudited.
- The 2000 figures include the results from the Fragrances and Flavours Division up until the Givaudan spin-off in June 2000; see Note 6.
- Number of shares and all per share information is restated for the 100 for 1 share split that took place on 4 May 2001; see Note 7.

Consolidated balance sheet in millions of CHF

| | 30 June 2001 | 31 December 2000 |
|---|-----------------|---------------------|
| Long-term assets | | |
| Property, plant and equipment | 14,189 | 13,785 |
| Intangible assets | 16,181 | 15,870 |
| Other long-term assets | 6,461 | 5,143 |
| Total long-term assets | 36,831 | 34,798 |
| Current assets | | |
| Cash and marketable securities | 23,259 | 20,648 |
| Other current assets | 14,899 | 14,089 |
| Total current assets | 38,158 | 34,737 |
| Total assets | 74,989 | 69,535 |
| Equity | 30,571 | 27,608 |
| Minority interests | 5,183 | 4,428 |
| Non-current liabilities | | |
| Long-term debt | 15,354 | 16,167 |
| Other non-current liabilities | 8,878 | 7,475 |
| Total non-current liabilities | 24,232 | 23,642 |
| Current liabilities | | |
| Short-term debt | 6,105 | 5,451 |
| Other current liabilities | 8,898 | 8,406 |
| Total current liabilities | 15,003 | 13,857 |
| Total equity, minority interests and liabilities | 74,989 | 69,535 |

Consolidated statement of changes in equity in millions of CHF

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2001 | 2000 |
| Share capital | | |
| Balance at 1 January and at 30 June | 160 | 160 |
| Non-voting equity securities (<i>Genussscheine</i>) | | |
| Balance at 1 January and at 30 June | p.m. | p.m. |
| Own equity instruments | | |
| Balance at 1 January | (4,166) | (3,291) |
| Movements during the period | 966 | 2 |
| Balance at 30 June | (3,200) | (3,289) |
| Retained earnings | | |
| Balance at 1 January | 31,839 | 26,669 |
| Changes in accounting policies ¹ | (28) | – |
| Balance at 1 January as restated | 31,811 | 26,669 |
| Net income | 2,517 | 6,203 |
| Dividends paid | (981) | (835) |
| Givaudan spin-off – special dividend and transfer of net assets | – | (2,642) |
| Balance at 30 June | 33,347 | 29,395 |
| Fair value and other reserves | | |
| Balance at 1 January | (225) | 125 |
| Changes in accounting policies ¹ | 602 | – |
| Balance at 1 January as restated | 377 | 125 |
| Changes in fair value during the period | (498) | – |
| Equity component of new convertible debt | – | 24 |
| Currency translation gains (losses) | 385 | 111 |
| Balance at 30 June | 264 | 260 |
| Total equity at 30 June | 30,571 | 26,526 |

Consolidated cash flow statement in millions of CHF

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2001 | 2000 |
| Operating activities before income taxes | 2,831 | 2,643 |
| Income taxes paid (all activities) | (366) | (989) |
| Operating activities | 2,465 | 1,654 |
| Financing activities | (2,269) | (835) |
| Investing activities | (686) | 668 |
| Net effect of currency translation on cash | 55 | 10 |
| Increase (decrease) in cash | (435) | 1,497 |
| Cash at the beginning of the period | 2,562 | 2,052 |
| Cash at the end of the period | 2,127 | 3,549 |

The 2000 figures include the cash flows from the Fragrances and Flavours Division up until the Givaudan spin-off in June 2000; see Note 6.

Notes to the Interim Condensed Consolidated Financial Statements

Reference numbers indicate corresponding Notes to the Interim Condensed Consolidated Financial Statements

1. Accounting policies

Basis of preparation of financial statements

These financial statements are the interim condensed consolidated financial statements (hereafter 'the interim financial statements') of Roche Holding Ltd, a company registered in Switzerland, and its subsidiaries (hereafter 'the Group') for the six-month period ended 30 June 2001 (hereafter 'the interim period'). They are prepared in accordance with the International Accounting Standard on Interim Financial Reporting. These interim financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2000 (hereafter 'the annual financial statements'), as they provide an update of previously reported information.

The accounting policies used are consistent with those used in the annual financial statements, except where noted below. The presentation of the interim financial statements is consistent with the annual financial statements. Where necessary, the comparatives have been reclassified or extended from the previously reported interim results to take into account any presentational changes made in the annual financial statements.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

Income tax expense is recognised based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

Changes in accounting policies

Several revised or new standards issued by the International Accounting Standards Committee and interpretations of the Standing Interpretations Committee became effective from 1 January 2001. The principal item affecting the Group is the Standard on 'Financial instruments: recognition and measurement' and its effects are described below.

Accounting effects. The new Standard was implemented effective 1 January 2001. In accordance with the transition arrangements of the standard, the comparative financial statements were not restated. The effects of the implementation on the opening balances are shown in the table below.

| In millions of CHF | Available-for-sale investments to fair value | Derivatives to fair value | Deferred income taxes | Minority interests | Total |
|---------------------------|--|------------------------------|-----------------------------|-----------------------|------------|
| Net assets | | | | | |
| Other investments | 1,028 | - | - | - | 1,028 |
| Marketable securities | 281 | - | - | - | 281 |
| Other current assets | - | 176 | - | - | 176 |
| Other current liabilities | - | (111) | - | - | (111) |
| Deferred income taxes | - | - | (561) | - | (561) |
| Minority interests | - | - | - | (239) | (239) |
| Total | 1,309 | 65 | (561) | (239) | 574 |
| Equity | | | | | |
| Retained earnings | - | 1 | (20) | (9) | (28) |
| Fair value reserves | 1,309 | 64 | (541) | (230) | 602 |
| Total | 1,309 | 65 | (561) | (239) | 574 |

Financial assets. Financial assets, principally investments, including marketable securities, are classified as either 'Held-for-trading', 'Available-for-sale', 'Held-to-maturity' or 'Originated by the Group'. Held-for-trading investments are acquired principally to generate profit from short-term fluctuations in price. Held-to-maturity investments are securities with a fixed maturity that the Group has the intent and ability to hold until maturity. Investments originated by the Group are loans and other long-term financial assets created by the Group. All other investments are considered as available-for-sale.

All investments are initially recorded at cost, including transaction costs. All purchases and sales are recognised on the settlement date. Held-for-trading investments are subsequently carried at fair value, with all changes in fair value recorded as financial income (expense) in the period in which they arise. Held-to-maturity investments are subsequently carried at amortised cost using the effective interest rate method. Available-for-sale investments are subsequently carried at fair value, with all changes in fair value recorded in equity. When the available-for-sale investments are sold, impaired or otherwise disposed of, the cumulative gains and losses previously recognised in equity are included in financial income (expense) for the current period.

Under the Group's previous accounting policies, long-term investments were carried at cost, less any permanent diminution in value, and marketable securities were valued at the lower of cost and market value.

Derivatives. All derivative financial instruments are initially recorded at cost, including transaction costs. All purchases and sales are recognised on the settlement date. Derivatives are subsequently carried at fair value. Apart from those derivatives designated as qualifying cash flow hedging instruments (see below), all changes in fair value are recorded as financial income (expense) in the period in which they arise.

Under the Group's previous accounting policies, gains and losses from derivative financial instruments used to hedge potential exchange rate exposures were deferred and then offset against losses and gains on the specific transactions being hedged. The fee agreed in establishing each contract was amortised over the duration of the contract. Gains and losses from derivative financial instruments used to hedge potential interest rate exposures were recognised by adjustments to interest expense. Gains or losses from derivative financial instruments used for trading purposes were taken to income as they arose.

Hedging. For the purposes of hedge accounting, hedging relationships may be of three types. Fair value hedges are hedges of particular risks that may change the fair value of a recognised asset or liability. Cash flow hedges are hedges of particular risks that may change the amount or timing of future cash flows. Hedges of net investment in a foreign subsidiary are hedges of particular risks that may change the carrying value of the net assets of a foreign subsidiary.

To qualify for hedge accounting the hedging relationship must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting. In this case the hedging instrument and the hedged item are reported independently as if there were no hedging relationship. In particular any derivatives are reported at fair value, with changes in fair value included in financial income (expense).

For qualifying fair value hedges, both the hedging instrument and the hedged item are recorded at fair value, and any changes in the fair values are reported in financial income (expense).

For qualifying cash flow hedges, the hedging instrument is recorded at fair value. The portion of any change in fair value that is an effective hedge is included in equity, and any remaining ineffective portion is reported in financial income (expense). If the hedging relationship is the hedge of a firm commitment or highly probable forecasted transaction, the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in the initial carrying value of the asset or liability at the time it is recognised. For all other qualifying cash flow hedges, the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in financial income (expense) at the time when the forecasted transaction affects net income.

For qualifying hedges of net investment in a foreign subsidiary, the hedging instrument is recorded at fair value. The portion of any change in fair value that is an effective hedge is included in equity. Any remaining ineffective portion is recorded in financial income (expense) where the hedging instrument is a derivative and in equity in other cases. If the subsidiary is disposed of, then the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in financial income (expense) at the time of the disposal.

2. Group organisation

Laboratory Corporation of America Holdings

On 6 June 2001 the Group sold 6,000,000 shares of LabCorp, resulting in a pre-tax gain after incidental costs of 1,160 million Swiss francs which was recorded as part of financial income (expense), net. The net pre-tax cash inflow was 1,420 million Swiss francs. As of the date of this sale the Group's remaining investment in LabCorp is accounted for as available-for-sale marketable securities.

Financial income in the interim period for 2000 includes a pre-tax gain of 296 million Swiss francs arising from transactions during the redemption period of LabCorp's outstanding convertible preferred stock announced on 6 June 2000.

Other changes in Group organisation

There were no other significant acquisitions or disposals during the interim period.

3. Information by business segment in millions of CHF

| | Pharma- ceuticals | Diagnostics | Vitamins and Fine Chemicals | Other | Continuing operations | Fragrances and Flavours ^{a)} | Group |
|--------------------------------------|----------------------|-------------|-----------------------------------|-------|--------------------------|---|--------|
| Six months ended 30 June 2001 | | | | | | | |
| Segment revenue/ divisional sales | 9,365 | 3,375 | 1,858 | - | 14,598 | - | 14,598 |
| Less inter- divisional sales | (89) | (1) | (39) | - | (129) | - | (129) |
| Divisional sales to third parties | 9,276 | 3,374 | 1,819 | - | 14,469 | - | 14,469 |
| Segment result/ operating profit | 1,114 | 498 | 228 | (115) | 1,725 | - | 1,725 |
| - as % of sales | 12 | 15 | 13 | - | 12 | - | 12 |
| Six months ended 30 June 2000 | | | | | | | |
| Segment revenue/ divisional sales | 8,941 | 2,970 | 1,900 | - | 13,811 | 1,193 | 15,004 |
| Less inter- divisional sales | (85) | (1) | (80) | - | (166) | (30) | (196) |
| Divisional sales to third parties | 8,856 | 2,969 | 1,820 | - | 13,645 | 1,163 | 14,808 |
| Segment result/ operating profit | 4,415 | 438 | 305 | (116) | 5,042 | 200 | 5,242 |
| - as % of sales | 50 | 15 | 17 | - | 37 | 17 | 35 |

a) The 2000 figures include the results of operations for the Fragrances and Flavours Division up until the Givaudan spin-off in June 2000; see Note 6.

4. Vitamin case

Total payments in the interim period were 46 million Swiss francs (2000: 166 million Swiss francs), which were charged against the provisions previously made.

The provisions that were recorded in respect of the vitamin case at 31 December 1999, less the amounts utilised during 2000 and 2001 and reflecting currency movements and the time value of money, remain the Group's best current estimate of the total liability that may arise.

5. Pharmaceuticals Division restructuring

On 30 May 2001 the Group announced the 'Re-shaping for Future Growth' initiative, a restructuring of its Pharmaceuticals Division, with the objective of improving the long-term profitability of the division by increasing sales and reducing the division's cost structure. The Group announced approximately 3,000 job reductions over the next two to three years in conjunction with the closure or reorganisation of certain facilities, principally in the US, UK and Switzerland. Restructuring costs of 669 million Swiss francs have been charged in the half-year result. These consist of employee costs of 429 million Swiss francs, impairment charges of 204 million Swiss francs related to the closure of certain operations and other restructuring costs of 36 million Swiss francs.

Of the employee and closure costs, 26 million Swiss francs were paid by 30 June 2001, and the remaining 439 million Swiss francs were included as liabilities in the balance sheet as at 30 June 2001.

6. Givaudan spin-off

On 8 June 2000 the Group's Fragrances and Flavours Division was spun off as an independent company under the name of Givaudan. The results and cash flows of the Fragrances and Flavours Division up until the spin-off in June 2000 are included in the consolidated figures (see Note 3). However, the consolidated balance sheet as at 31 December 2000 is shown after the spin-off and does not include any assets or liabilities of the Fragrance and Flavours Division.

7. Equity

Share capital and non-voting equity securities (*Genussscheine*)

At the Annual General Meeting on 3 April 2001, the shareholders approved a 100 for 1 stock split of the shares and non-voting equity securities of Roche Holding Ltd. The split took place on 4 May 2001. The number of shares and non-voting equity securities in issue is now 160,000,000 and 702,562,700 respectively. All comparative per share information has been restated for the split.

Dividends

On 3 April 2001 the shareholders approved the distribution of a dividend of CHF 1.15 per share and non-voting equity security (2000: CHF 1.00) in respect of the 2000 business year. The distribution to holders of outstanding shares and non-voting equity securities totalled 981 million Swiss francs and has been recorded against retained earnings in 2001.

Own equity instruments

At 30 June 2001 the number of non-voting equity securities held was 21,585,853 (31 December 2000: 28,456,600). The net cash inflow from transactions in own equity instruments during the interim period was 966 million Swiss francs (2000: net cash outflow of 2 million Swiss francs).

The Group holds its own equity instruments primarily to meet the obligations that may arise in respect of certain of the Group's debt instruments. This may be achieved by holding physical non-voting equity securities or by holding derivative instruments such as forward contracts or call options. At 30 June 2001 the Group held derivative instruments equivalent to 8,046,660 non-voting equity securities. If all of these instruments were exercised then a total of 29,632,513 non-voting equity securities would be available to the Group.

The reduction in the number of non-voting equity securities physically held by the Group has increased the total number of shares outstanding figure used in the earnings per share calculations, and the impact of this is to reduce interim earnings per share by 1%. The effect on annual earnings per share is expected to be in the same order.

8. Debt

Repayment of 'Bull Spread' US dollar bonds

On the due date of 16 May 2001 the Group repaid the principal amount of 1 billion US dollars of the 3.5% US dollar bonds originally issued in 1991. The resulting cash outflow was 1,734 million Swiss francs.

9. Contingent liabilities

Group companies are subject to legal matters involving claims, charges, governmental investigations and legal actions. No significant changes in the Group's contingent liabilities have occurred since the annual financial statements. See also Note 4.

10. Subsequent events

Issue of 'LYONs V' US dollar notes exchangeable into non-voting equity securities

On 25 July 2001 the Group issued zero coupon US dollar exchangeable notes due 25 July 2021 with a principal amount of 2,051 million US dollars. The notes are exchangeable into non-voting equity securities, at any time prior to maturity.

Net proceeds from the issue were 980 million US dollars (1,689 million Swiss francs). These have been initially allocated as 3,535 million Swiss francs of debt, 1,978 million Swiss francs of unamortised discount, 86 million Swiss francs of equity (in respect of the conversion option embedded in the bonds) and 46 million Swiss francs of deferred tax liability.

Roche Securities

Number of shares and non-voting equity securities

| | First half 2001 | First half 2000 |
|--|-----------------|-----------------|
| Number of shares | 160,000,000 | 160,000,000 |
| Number of non-voting equity securities | 702,562,700 | 702,562,700 |
| Total | 862,562,700 | 862,562,700 |

Data per share and non-voting equity security ^{in CHF}

| | | | |
|---|------------|--------|--------|
| Diluted earnings per share and non-voting equity security | | 2.96 | 7.19 |
| Stock price of share | High | 201.00 | 263.75 |
| | Low | 129.00 | 171.00 |
| | Period-end | 146.50 | 172.55 |
| Stock price of non-voting equity security | High | 165.35 | 187.55 |
| | Low | 117.15 | 156.25 |
| | Period-end | 129.50 | 158.80 |

Market capitalisation ^{in millions of CHF}

| | | | |
|--|------------|---------|---------|
| | Period-end | 114,422 | 139,181 |
|--|------------|---------|---------|

- All prices shown are daily closing prices. Stock prices prior to 8 June 2000 are adjusted for the effects of the Givaudan spin-off. The adjustment factors used are 0.97325 (shares) and 0.96925 (non-voting equity securities), which are the factors used by independent financial institutions.
- Number of shares and all per share information is restated for the 100 for 1 share split that took place on 4 May 2001. See Note 7.

Exchange rates

Rates of exchange for the major currencies used by the Group against the Swiss franc are as follows:

| | 30 June 2001 | Average first half 2001 | 31 December 2000 | Average first half 2000 |
|---------|-----------------|-------------------------------|---------------------|-------------------------------|
| 1 USD | 1.80 | 1.70 | 1.64 | 1.65 |
| 1 EUR | 1.52 | 1.53 | 1.52 | 1.59 |
| 1 GBP | 2.52 | 2.45 | 2.45 | 2.59 |
| 100 JPY | 1.44 | 1.42 | 1.43 | 1.55 |

Cautionary statement regarding forward-looking statements

This Half-Year Report contains certain forward-looking statements. These forward-looking statements may be identified by words such as 'believes', 'expects', 'anticipates', 'projects', 'intends', 'should', 'seeks', 'estimates', 'future' or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this Half-Year Report, among others: (1) pricing and product initiatives of competitors; (2) legislative and regulatory developments and economic conditions; (3) delay or inability in obtaining regulatory approvals or bringing products to market; (4) fluctuations in currency exchange rates and general financial market conditions; (5) uncertainties in the discovery, development or marketing of new products or new uses of existing products; (6) increased government pricing pressures; (7) interruptions in production; (8) loss of or inability to obtain adequate protection for intellectual property rights; (9) litigation; (10) loss of key executives or other employees; and (11) adverse publicity and news coverage.

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The background picture shows a computer-assisted molecular modelling of the active ingredient of Herceptin, a drug for the treatment of breast cancer.

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